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POLICY

PROGRAMME PLANNING

SUPPORT COSTS: SUCCESSOR ARRANGEMENTS

Sectoral support

Report of the Administrator

SUMMARY

The Governing Council, in its decision 90/34 of 23 June 1990 on the fifth programming cycle and its decision 90/24 of 22 June 1990 on sectoral support, requested the Administrator to report at its thirty-eighth session and address two issues. First, to advise the Council on how $30 million, allocated for the fifth cycle for sectoral support, should be distributed between the programme of the United Nations Industrial Development Organization (UNIDO) country directors and the sectoral support programmes of the smaller technical agencies. The second issue deals with the possible complementarity of the sectoral support programme with the new support cost arrangements and whether an eventual merger of the sectoral support programme with the provisions of the technical support services of the new support cost arrangements should be considered.

On the basis of a review of the sectoral support programme, the Administrator recommends that the sectoral support funds in the fifth cycle be distributed between the UNIDO country directors' programme and the sectoral support programme for the smaller technical agencies in the same proportion as the fourth cycle. The review found that there is a complementarity between the sectoral support programme and the new support cost arrangements, and the Administrator recommends that the sectoral support programme be reviewed in conjunction with the review of the latter as foreseen in paragraph 22 of Governing Council decision 90/26 of 22 June 1990.

INTRODUCTION

1. The Governing Council, in paragraph 15 of its decision 90/34 of 23 June 1990 on the fifth programming cycle, allocated $30 million for sectoral support: "... the distribution of these funds between the programme of the United Nations Industrial Development Organization country directors and the sectoral support programme of the smaller agencies will be decided by the Governing Council at its thirty-eighth session (1991)." In decision 90/24 of 22 June 1990 on sectoral support, it requested the Administrator, in his report to the Council at its thirty-eighth session on the sectoral support programme, to address the possible complementarity of this facility with the new support cost arrangements, as well as the issues surrounding an eventual merger with the provisions for technical support services established in decision 90/26.

2. In order to respond to the Governing Council's request, the Administrator undertook a review of the sectoral support programme. Over the past 15 years major studies have been carried out by consultants on senior industrial development field advisers (SIDFAs) and on sectoral support to smaller agencies. 1/ The review built on those earlier studies.

3. In addition to the desk study of this material, detailed consultations were carried out with the agencies participating in the sectoral support programme and feedback was provided from field offices. The latter was obtained through a questionnaire and through visits to four field offices.

I. SCOPE OF THE REVIEW

4. Based on the decisions of the Governing Council at its thirty-seventh session mentioned in paragraph 1 above, the review of the sectoral support programme had two main objectives, namely:

(a) To recommend to the Governing Council the apportionment between the United Nations Industrial Development Organization (UNIDO) and the smaller agencies of the $30 million which the Council had earmarked for the fifth cycle;

(b) To give consideration to the complementarity of the sectoral support programme with the new support cost arrangement.

5. In addition to these two main objectives, the study made a preliminary assessment of the new working arrangements between the United Nations Development Programme (UNDP) and UNIDO which became effective on 1 January 1990 with the coming into force of the Memorandum of Understanding concerning the integration of the UNIDO field service within the UNDP field office. A review of the criteria for making allocations for sectoral support to smaller agencies was also carried out.

II. DEFINITION OF SECTORAL SUPPORT

6. As defined, sectoral support is the provision of mostly short-term assistance to Governments and to UNDP resident representatives in determining the nature of technical cooperation programmes, whether financed by UNDP or other sources (including national sources), as follows:

(a) Identification of sectoral technical cooperation requirements in the context of each Government's sectoral and intersectoral goals and each country's specific socio-economic setting;

(b) Providing policy advice to Governments on the functioning of the sector or subsector;

(c) Formulation of sectoral and intersectoral technical cooperation programmes and projects for funding by UNDP or by other sources;

(d) Field-level substantive coordination of UNDP technical cooperation programmes and projects in the sector or sectors concerned with other United Nations system programmes and, as appropriate, with other multilateral and bilateral technical cooperation programmes.

III. FINANCING OF SECTORAL SUPPORT

7. UNDP has been financing, either in full or in part, the SIDFA programme since 1967 and the sectoral support of smaller technical agencies since 1979. Smaller agencies eligible for UNDP financing of the sectoral support activities are determined by the Governing Council from time to time. At present there are 11 eligible agencies: United Nations Centre on Transnational Corporations (UNCTC), United Nations Conference on Trade and Development (UNCTAD), United Nations Centre for Human Settlements (Habitat) (UNCHS), International Trade Centre UNCTAD/GATT (ITC), Universal Postal Union (UPU), International Telecommunication Union (ITU), World Meteorological Organization (WMO), International Maritime Organization (IMO), World Intellectual Property Organization (WIPO), International Atomic Energy Agency (IAEA) and World Tourism Organization (WTO).

8. Periodic allocation from UNDP central resources for financing sectoral support activities of UNIDO and of other agencies has also been determined by the Governing Council from time to time. The apportionment between UNIDO and the smaller agencies is also decided upon by the Council. However, decision on the allocation among smaller agencies is delegated to the Administrator of UNDP. The allocation for the fourth programming cycle (1987-1991) is $25 million, of which $16 million is for UNIDO and $9 million for smaller technical agencies.

9. The earlier studies on the SIDFA programme recommended that the financing of that programme should be assumed by UNIDO's regular programme at the time UNIDO became a specialized agency of the United Nations system. This has not

taken place and, according to the position taken by UNIDO's Industrial Development Board, is not likely to in the foreseeable future. At present, out of the 39 SIDFA established posts, 29 are funded from UNDP sectoral support, 9 from UNIDO's operational budget and 1 from a voluntary contribution of a donor government. The funds for this purpose in UNIDO's operational budget emanate to a large extent from support costs payments earned by UNIDO for executing UNDP-funded projects.

10. During the review UNIDO emphasized the importance of sectoral support funding of the UNIDO country directors programme not only because of the absence of funding from its regular budget, but also because of uncertainty as to the funds that will be available from UNIDO's operational budget, as the support costs successor arrangements have yet to be applied.

IV. MAIN FINDINGS

A. Smaller technical agencies

11. The review considered criteria for selecting smaller technical agencies to participate in the programme and for allocation of sectoral support resources to individual agencies. The basic criteria contained in the UNDP guidelines defining eligibility of smaller technical agencies for sectoral support financing are the lack of country or regional representation of the agency and the availability of funds from the agencies' regular budgets for technical cooperation.

12. Another criterion that should be considered is the relative size of the smaller agencies' technical cooperation programme funded by UNDP. Agencies that execute a larger number of country and intercountry projects are able better to provide sectoral support through project staff at the country and regional levels. Further, through increased support cost earnings, they are able to fund sectoral support activities.

13. The review found that the technical advice from the smaller technical agencies provided under the sectoral support programme was useful. Field offices particularly emphasized the usefulness of advice in project formulation and follow-up. The highly specialized support coming from these agencies was deemed by many field offices to be invaluable and difficult to provide from other sources. Most of the field offices were in favour of maintaining, or even increasing, sectoral support funding to the smaller technical agencies. They emphasized the value of flexible sectoral support programmes that could respond quickly to the multifarious requirements of the government and the field office for specialized technical advice.

14. The review noted that sectoral support funding was used by most smaller agencies to finance short-term consultants or the travel costs of staff to undertake specific missions to address specific and often highly technical issues. Other agencies used sectoral support funding to finance full-time interregional advisers.

B. UNIDO country directors

15. The review devoted considerable attention to an analysis of the time spent by UNIDO country directors on different activities. Three main categories of activities were considered:

(a) Advice to Governments and resident representatives at policy and programme levels;

(b) Project development, including implementation;

(c) UNIDO field representation.

16. The estimates in earlier studies, as well as the feedback received from field offices, make patterns evident in the percentage of time that SIDFA/UNIDO country directors devote to these different activities. The activities that take up most of the country directors' time relate to the second category, i.e., project-related work, especially implementation.

17. Advice at the policy and planning level is less often provided by UNIDO country directors. It was mentioned in most responses from the field offices that Governments have well-defined sectoral policies and see the value of country directors in advising them on project identification and formulation and, in general, facilitating technical cooperation in the field of industrial development.

18. At the programme level a number of UNIDO country directors provide advice to Governments and resident representatives on identification of technical cooperation needs and the formulation of projects, especially those funded by UNDP and UNIDO. There is also an advantage of having such an adviser and representative of UNIDO within the UNDP field office, as this represents a good example of integration at the field level.

19. According to estimates of earlier studies and feedback from the field, duties connected to UNIDO field representation take up between 20 to 25 per cent of the time of country directors.

20. From the replies received from the field and from discussions with UNIDO, the review found that better integration of UNIDO field services with the UNDP field offices has been achieved in a number of cases as a result of the new Memorandum of Understanding between UNDP and UNIDO. Offices of UNIDO country directors devote a considerable portion of their time to non-technical, administrative tasks.

21. Another issue that has arisen during the review, also connected with the Memorandum of Understanding, is the criteria for selecting the countries for deployment of UNIDO country directors. This should normally include the size of the indicative planning figure (IPF), share of industry to the IPF and the willingness of the host country to finance the local currency cost of country directors' offices. Also, the review found that the effectiveness of country

directors who cover more than one country decreases drastically in countries where they are not resident.

22. These issues will be considered by UNIDO and UNDP later this year when the Memorandum of Understanding is reviewed as scheduled.

23. At a recent joint UNDP/UNIDO meeting on private sector promotion, it was recognized that country directors play a critical role in facilitating both UNIDO and UNDP private sector initiatives at the country level. At the meeting it was stressed that country directors should have at their disposal both the expertise and the financial resources to carry out their promotional responsibilities. Furthermore, it was agreed that country directors should be fully involved in UNDP's efforts to promote private sector development, such as contributing more actively in the preparation of the UNDP advisory note with respect to private sector requirements, and should manage locally, in consultation with local business associations, the United Nations International Short-term Advisory Resources (UNISTAR) and the UNIDO Industrial Partnership and Cooperation for Development (IPAC) volunteer consultancy programmes. The meeting recognized, however, that the existing 39 UNIDO country directors could not possibly cover all these responsibilities, especially in countries where they are not resident, and that ways should be sought to obtain additional funding for the country directors' programme.

C. Complementarity of sectoral support and technical support services

24. The review found that, broadly speaking, the activities funded by sectoral support are similar to the technical support services (TSS1 and TSS2) defined in Governing Council decision 90/26 of 22 June 1990. Both sectoral support and technical support services are intended to provide advice to Governments and resident representatives at the programme and project levels. The sectoral support programme and the TSS facilities of support costs should be seen as complementary sources of funds.

25. Although it is premature at this stage to determine how this complementarity will eventually work out in relation to smaller technical agencies, as at this point they have yet to access the TSS facilities, it would seem prudent to advance the possibility that some funding for sectoral support to smaller technical agencies will continue to be needed.

26. The case for UNIDO continuing to receive sectoral support funding in the next cycle as well as funding under TSS can be made on two counts.

27. First, it is justified to continue to support UNIDO's field presence for the historical reasons given in paragraph 9 above. A larger part of the cost of the country directors' programme is financed by sectoral support funds, while a smaller part of the funding comes from support cost earnings under the present system. Without funds becoming available from UNIDO's regular budget, it would not be possible for UNIDO to maintain its country directors' programme from TSS funding.

28. Secondly, in the light of paragraph 15 of General Assembly resolution 44/211 of 22 December 1989, which calls for integration of United Nations system inputs at the field level, UNIDO's field presence within the framework of the UNDP field network should be encouraged. This arrangement facilitates coordination at the field level and the provision of effective multi-disciplinary technical advice and support to recipient governments in carrying out their programming and executing responsibilities.

29. While it is justified in this transitional phase of the support cost regimes to maintain the sectoral support programme, the nature of its complementarity with TSS facilities will need to be addressed in depth on the occasion of the review of the latter foreseen in paragraph 22 of Governing Council decision 90/26. During this review, consideration should be given to:

(a) The special needs of smaller technical agencies for the funding of their sectoral support activities;

(b) The extent to which the new support cost arrangements have strengthened field coordination with specific reference to making available to governments multi-disciplinary technical advice and support through decentralization and integration of field structures.

V. RECOMMENDATIONS

30. It is recommended that the sectoral support programme be continued in the fifth programming cycle. Because of the sectoral support programme's complementarity to the new support cost arrangements, it is recommended that the programme be reviewed as part of the evaluation of the new arrangements and consultations with the smaller agencies which is scheduled for 1993.

31. It is further recommended that the distribution of sectoral support funds between UNIDO and the smaller technical agencies should be according to the same ratio as in the fourth programming cycle, i.e., $3.8 million per annum for UNIDO and $2.2 million per annum for the smaller technical agencies.

32. The Administrator supports the request of the International Civil Aviation Organization (ICAO) to receive financing from the sectoral support programme. It is therefore recommended that the following list of smaller technical agencies be approved for participation in the sectoral support programme: UNCTC, UNCTAD, UNCHS, ITC, ICAO, UPU, ITU, WMO, IMO, WIPO, IAEA and WTO.

Notes

1/ Studies on SIDFAs were carried out by consultants in 1975 (Makiedo), 1979 (Jackson), 1985 (Henein, Power) and 1986 (Kaufmann, Muhith); and on sectoral support to smaller technical agencies in 1985 (Mohan).